

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 CEA-01 AGR-05

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P R 111630Z MAR 75

FM AMEMBASSY COPENHAGEN

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AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY REYKJAVIK

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E.O. 11652 N/A

TAGS: ELAB PINT DA

SUBJECT: WAGE SETTLEMENT PASSES PARLIAMENT

REF: COPENHAGEN 0645

SUMMARY: AFTER A MARATHON WEEKEND PARLIAMENTARY SESSION

EARLY THIS MORNING A MAJORITY WAS FINALLY OBTAINED FOR THE

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GOVERNMENTS PROPOSAL TO BREAK THE DEADLOCK IN THE NATIONAL

WAGE NEGOTIATIONS BY ENACTING AN "INCOMES POLICY" SOLUTION. GENERAL LABOR MARKET PEACE IS THUS ASSURED FOR ANOTHER TWO YEARS. THE LEGISLATION, WHICH HAS RAMIFICATIONS FAR BEYOND THE LABOR MARKET, IS ESSENTIALLY AN ADOPTION OF THE LAST PROPOSAL BY THE NATIONAL MEDIATOR WHICH HAD BEEN FORMALLY REJECTED BY BOTH EMPLOYERS AND LABOR. LABOR HAD PROTESTED THAT THE TWO-YEAR CONTRACT WAGE INCREASE OF ABOUT 2.5 PERCENT WAS TOO SMALL. THE EMPLOYERS HAD OPPOSED THE RETENTION OF THE COST-OF-LIVING ESCALATOR WHICH IS EXPECTED TO PRODUCE ANOTHER 9 PERCENT INCREASE THIS YEAR. ALL FACTORS TOGETHER (WAGE, DRAFT, ETC.) MEAN THAT WAGE RATES BY THE END OF 1975 WILL BE ABOUT 20 PERCENT ABOVE THOSE IN 1974. TO SWEETEN THE MEDICINE FOR BOTH SIDES, THE LEGISLATIVE PACKAGE ALSO LIMITS CIVIL SERVANTS' COST OF LIVING INCREASES (WHICH NORMALLY SET A TREND FOR ALL WHITE COLLAR WORKERS), AND FREEZES DIVIDENDS AND MARK-UPS IN GOODS AND SERVICES. AS IT BECAME CLEAR THAT A MAJORITY COULD BE OBTAINED WITHOUT FORMER PRIME MINISTER HARTLING'S LIBERALS, THEY CAME AROUND AT THE LAST MOMENT IN RETURN FOR MINOR CONCESSIONS. THE PASSAGE OF THE LEGISLATION IS GENERALLY VIEWED AS A PERSONAL VICTORY FOR PRIME MINISTER ANKER JORGENSEN AND A DEFEAT FOR HARTLING. JORGENSEN'S NEXT BIG HURDLE COMES LATER THIS MONTH WHEN THE BUDGET MUST BE PASSED. END OF SUMMARY.

1. AFTER A MARATHON WEEKEND PARLIAMENTARY SESSION, AN EXHAUSTED BUT HAPPY PRIME MINISTER ANKER JORGENSEN ANNOUNCED AT 2:00 AM THIS MORNING MARCH 11, THAT THE PARLIAMENT HAD PASSED LEGISLATION TO SETTLE THE STALEMATED WAGE NEGOTIATIONS WHICH THREATENED THE COUNTRY WITH LARGE-SCALE STRIKES AND LOCKOUTS. THE LEGISLATIVE PACKAGE CONSISTS OF SEVEN DIFFERENT LAWS WHICH WILL AFFECT NOT ONLY WAGES AND SALARIES, BUT ALSO DIVIDENDS, MARK-UPS OF GOODS AND SERVICES AND A LIMITATION ON THE INTEREST DIFFERENTIAL BETWEEN BANKS' DEPOSIT AND LENDING RATES. THE SEVEN LAWS PRESCRIBE:

(1) CONTINUATION OF THE 1973 NATIONAL WAGE CONTRACT FOR ANOTHER TWO-YEAR PERIOD WITH ONLY A SLIGHT INCREASE.

(2) A CHANGE IN THE LAW GOVERNING CIVIL SERVICE PEN-LIMITED OFFICIAL USE

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SIONS (A CONSEQUENCE OF THE CHANGE IN THE COST-OF-LIVING INDEX).

(3) A FREEZE OF MARK-UPS IN GOODS AND SERVICES. (THE LIBERAL PROPOSAL OF LAST DECEMBER FOR AN INCOMES POLICY PLAN CONTAINED A SIMILAR MEASURE.)

(4) A CEILING ON DIVIDENDS (LARGELY A CONTINUATION OF EXISTING LAW. A GOVERNMENT PROPOSAL TO BAN STOCK DIVIDENDS

WAS WITHDRAWN.)

(5) A CEILING ON BANK PROFITS BY LIMITING THE DIFFERENTIAL IN THE INTEREST RATE ON DEPOSITS AND LOANS (THE NEW DIFFERNEITAL IS SET AS MAXIMUM 5.5 PERCENT).

(6) THE ESTABLISHMENT OF A NEW COST-OF-LIVING INDEX WITH JANUARY 1, 1975 LEVELS TO EQUAL 100.

(7) A CHANGE IN THE BASIS FOR THE COMPUTATION OF NATIONAL PENSIONS (A CONSEQUENCE OF THE CHANGE IN THE COL INDEX).

2. THE BASIC LAW IS THE ENACTMENT OF THE MEDIATION PROPOSAL FOR THE NATIONAL WAGE CONTRACT. THE OTHER SIX LAWS ARE EITHER SWEETENERS OR CONSEQUENCES OF THE CHANGE IN THE COL INDEX. THE ENACTED WAGE CONTRACT ITSELF GIVES LIMITED WAGE ADVANCES WHICH WILL REPRESENT INCREASES OF ABOUT 2.5 PERCENT OVER THE NEXT TWO YEARS IN THE TOTAL WAGE BILL. THE MINIMUM HOURLY WAGE WILL BE ABOUT DKR 21.00 OR \$3.80 (AT DKR5.5 TO \$1.00). WAGE RATES BY THE END OF 1975 (INCLUDING COL INCREASES AND WAGE DRIFT) ARE EXPECTED TO BE ABOUT 20 PERCENT HIGHER THAN IN 1974.

3. THE ACTUAL PARLIAMENTARY VOTE DIFFERED FROM BILL TO BILL. ON THE MAJOR BILL, THE LABOR CONTRACT, 124 WERE IN FAVOR, 45 AGAINST (GLISTRUP'S PROGESSIVES VOTED WITH THE COMMUNISTS). ALL BILLS, HOWEVER, WERE PASSED WITH LARGE MAJORITYS.

4. THE LAW PROVIDING A FIXED ORE AMOUNT TO ALL INCOME-EARNERS WHOSE INCOME IS REGULATED BY THE COL IS A NOVELTY. IN THE PAST, CIVIL SERVANTS AND WHITE COLLAR WORKERS IN PRIVTE INDUSTRY HAVE BEEN COMPENSATED FOR PRICE INCREASES BY RECEIVING COL INCREASES BASED ON A LIMITED OFFICIAL USE

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PERCENTAGE OF THEIR SALARIES. NOW EMPLOYEES WILL RECEIVE THE SAME 60 ORE AS BLUE COLLAR WORKERS PER EACH 3-POINT INCREASE IN THE INDEX. THIS WILL MEAN A SUB-STANTIAL REDUCTION IN INCREMENTS FOR HIGH-INCOME CIVIL SERRVANTS AND MANAGERS. THE DANISH EQUIVALENT OF A GS-18 RATING WOULD, FOR EXAMPLE, BE REDUCED FROM \$1322 TO \$225 PER INDEX INCREMENT. IN RETURN, HOWEVER, CIVIL SERVANTS AND WHITE COLLAR WORKERS WERE PROMISED AN OPPORTUNITY TO OPEN SALARY TALKS EACH YEAR WITH RESULTING POSSIBLE UPWARD ADJUSTEMENTS.

5. THE OPPOSITION OF THE THREE PARIES OF THE LEFT (SOCIALIST PEOPLES, COMMUNISTS, LEFT SOCIALISTS) TO THE GOVERNMENT'S LEGISLATION MANIFESTED ITSELF LAST FRIDAY WHEN THE COMMUNIST-INSPIRED LABOR UNION

"CHAIRMEN'S INITIATIVE" CALLED FOR A "MASSIVE" DEMONSTRATION OUTSIDE THE PARLIAMENT. IN THE EVENT, ONLY 3000 SHOWED UP. UPWARD OF 30,000 WORKERS DID, HOWEVER, STOP WORK FOR THE DAY. PRESENT HIGH UNEMPLOYMENT WILL DISCOURAGE FURTHER LABOR PROTESTS IN THE NEAR FUTURE. LO PRESIDENT THOMAS NIELSEN IN FACT CHARACTERIZED THE LEGISLATION AS "REASONABLE".

6. COMMENT: PRIME MINISTER JORGENSEN HAD REASON TO EXPRESS DEEP SATISFACTION WITH THE RESULT BEFORE FLYING OFF TO DUBLIN EARLY THIS MORNING. THE CONSENSUS OF THE PRESS HAS BEEN THAT HE DISPLAYED NEW QUALITIES OF LEADERSHIP AND THAT, IN GENERAL, THE LEGISLATION WAS A PERSONAL SUCCESS FOR HIM AND A DEFEAT FOR FORMER LIBERAL PRIMIN HARTLING. ANKER JORGENSEN'S IMPROVED STANDING WILL SERVE HIS WELL LATER THIS MONTH WHEN HE MUST AGAIN MEET HARTLING'S LIBERALS, WHO ARE REGROUPING TO GIVE THE SOCIAL DEMOCRATS ANOTHER FIGHT ON THE BUDGET.

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